

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Carsonville	County Sanilac
Audit Date 02/28/06	Opinion Date 07/20/06	Date Accountant Report Submitted to State: 08/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			
Street Address 1979 Holland Avenue	City Port Huron	State MI	ZIP 48060
Accountant Signature 		Date 08/31/06	

VILLAGE OF CARSONVILLE
Sanilac County, Michigan

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
FEBRUARY 28, 2006**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



VILLAGE OF CARSONVILLE

Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the President and
Members of the Village Council
Village of Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Carsonville, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carsonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carsonville, Michigan, as of February 28, 2006, and the respective changes in financial position and the cash flows of its proprietary fund type for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 20, 2006, on our consideration of the Village of Carsonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The schedules of budgetary comparisons on pages 28 through 30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carsonville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.



Certified Public Accountants

July 20, 2006

BASIC FINANCIAL STATEMENTS

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 128,783	\$ (2,244)	\$ 126,539
Receivables	17,384	51,424	68,808
Prepaid expenses	17,842	-	17,842
Due from other governmental units	18,974	-	18,974
Internal balances	(1,925)	440	(1,485)
Restricted Assets -			
Cash and cash equivalents	-	423,116	423,116
Accounts receivable	-	26,487	26,487
Special assessments	-	1,141,572	1,141,572
Tap-in fees receivable	-	42,840	42,840
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	96,875	263,814	360,689
Assets being depreciated	798,526	3,862,213	4,660,739
Total Assets	<u>1,077,944</u>	<u>5,809,662</u>	<u>6,887,606</u>
LIABILITIES:			
Payables and accrued liabilities	11,775	4,131	15,906
Accrued expenses	2,882	30,391	33,273
Deferred revenue	11,884	-	11,884
Non-current liabilities			
Due within one year	22,498	65,500	87,998
Due in more than one year	96,112	2,626,927	2,723,039
Total Liabilities	<u>145,151</u>	<u>2,726,949</u>	<u>2,872,100</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	776,791	2,818,111	3,594,902
Net Assets			
Restricted -			
Acquisition and construction of capital assets	11,701	-	11,701
Debt Service	-	177,601	177,601
Unrestricted	<u>144,301</u>	<u>87,001</u>	<u>231,302</u>
Total Net Assets	<u>\$ 932,793</u>	<u>\$ 3,082,713</u>	<u>\$ 4,015,506</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 28, 2006

Functions/Programs	Expenses	Program Revenues		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 87,964	\$ 23,671	\$ -	\$ -
Public Safety	114,649	15,905	-	21,620
Public Works	118,372	-	60,975	122,684
Interest on Long Term Debt	6,243	-	-	-
Total governmental activities	<u>327,228</u>	<u>39,576</u>	<u>60,975</u>	<u>144,304</u>
Business type activities:				
Water	82,928	128,814	-	-
Refuse Services	35,546	34,959	-	-
Sewage Collection System	124,828	34,184	-	-
Interest on Long Term Debt	87,364	-	-	-
Total business type activities	<u>330,666</u>	<u>197,957</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>657,894</u>	<u>237,533</u>	<u>60,975</u>	<u>144,304</u>

General revenues:

Taxes

Property taxes levied for general purposes

Property taxes levied for streets

Grants and contribution not
restricted to specific programs

Special assessments

Unrestricted investment income

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustments

Net assets at beginning of year restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$(64,293)	\$ -	\$(64,293)
(77,124)	-	(77,124)
65,287	-	65,287
<u>(6,243)</u>	<u>-</u>	<u>(6,243)</u>
<u>(82,373)</u>	<u>-</u>	<u>(82,373)</u>
-	45,886	45,886
-	(587)	(587)
-	(90,644)	(90,644)
-	(87,364)	(87,364)
<u>-</u>	<u>(132,709)</u>	<u>(132,709)</u>
<u>(82,373)</u>	<u>(132,709)</u>	<u>(215,082)</u>
79,262	-	79,262
31,262	-	31,262
63,196	-	63,196
-	64,683	64,683
17,670	6,321	23,991
<u>191,390</u>	<u>71,004</u>	<u>262,394</u>
109,017	(61,705)	47,312
823,776	3,137,360	3,961,136
-	7,058	7,058
<u>823,776</u>	<u>3,144,418</u>	<u>3,968,194</u>
<u>\$ 932,793</u>	<u>\$ 3,082,713</u>	<u>\$ 4,015,506</u>

VILLAGE OF CARSONVILLE, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS FEBRUARY 28, 2006

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 23,744	\$ 32,331	\$ 45,970	\$ 26,461	\$ 128,506
Receivables -					
Interest and accounts	17,384	-	-	-	17,384
Due from other governmental units -					
Federal/State	10,921	5,899	-	2,154	18,974
Due from other funds	277	6,674	908	6,612	14,471
	<u>52,326</u>	<u>44,904</u>	<u>46,878</u>	<u>35,227</u>	<u>179,335</u>
Total Assets	<u>\$ 52,326</u>	<u>\$ 44,904</u>	<u>\$ 46,878</u>	<u>\$ 35,227</u>	<u>\$ 179,335</u>
Liabilities:					
Accounts payable	\$ 8,014	\$ 863	\$ 1,010	\$ 75	\$ 9,962
Accrued liabilities	1,813	-	-	-	1,813
Due to other funds	1,556	3,300	9,778	-	14,634
Deferred revenue	11,884	-	-	-	11,884
	<u>23,267</u>	<u>4,163</u>	<u>10,788</u>	<u>75</u>	<u>38,293</u>
Total Liabilities	<u>23,267</u>	<u>4,163</u>	<u>10,788</u>	<u>75</u>	<u>38,293</u>
Fund Balances:					
Reserved -					
Capital Project	-	-	-	11,701	11,701
Unreserved -					
Undesignated -					
General Fund	29,059	-	-	-	29,059
Special Revenue Funds	-	40,741	36,090	23,451	100,282
Total Equity	<u>29,059</u>	<u>40,741</u>	<u>36,090</u>	<u>35,152</u>	<u>141,042</u>
	<u>52,326</u>	<u>44,904</u>	<u>46,878</u>	<u>35,227</u>	<u>179,335</u>
Total Liabilities and Fund Equity	<u>\$ 52,326</u>	<u>\$ 44,904</u>	<u>\$ 46,878</u>	<u>\$ 35,227</u>	<u>\$ 179,335</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006**

Fund Balances - total governmental funds	\$ 141,042
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses recorded in the funds on the purchase method	17,842
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,273,217
Accumulated depreciation	(377,816)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds/notes payable	(118,610)
Accrued interest	(2,882)
Net Assets of governmental activities	<u>\$ 932,793</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 79,262	\$ -	\$ 31,262	\$ -	\$ 110,524
Licenses and permits	953	-	-	20	973
Intergovernmental -					
Federal/State	63,196	158,448	-	11,938	233,582
Local	-	-	13,273	21,600	34,873
Charges for services	35,508	-	-	-	35,508
Fines and forfeits	80	-	-	-	80
Interest and rent	11,343	409	1,242	4,676	17,670
Other	3,035	-	-	-	3,035
Total Revenues	<u>193,377</u>	<u>158,857</u>	<u>45,777</u>	<u>38,234</u>	<u>436,245</u>
Expenditures:					
Current -					
General Government	78,508	-	-	5,982	84,490
Public Safety	92,465	-	-	-	92,465
Public Works	37,478	174,333	98,103	11,220	321,134
Debt Service					
Principal	7,000	-	-	16,301	23,301
Interest	2,046	-	-	4,632	6,678
Total Expenditures	<u>217,497</u>	<u>174,333</u>	<u>98,103</u>	<u>38,135</u>	<u>528,068</u>
Revenues under expenditures	<u>(24,120)</u>	<u>(15,476)</u>	<u>(52,326)</u>	<u>99</u>	<u>(91,823)</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	23,433	23,433
Transfers to other funds	(2,500)	-	-	(20,933)	(23,433)
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
Net Change in Fund Balance	(26,620)	(15,476)	(52,326)	2,599	(91,823)
Fund Balances at beginning of year	<u>55,679</u>	<u>56,217</u>	<u>88,416</u>	<u>32,553</u>	<u>232,865</u>
Fund Balances at end of year	<u>\$ 29,059</u>	<u>\$ 40,741</u>	<u>\$ 36,090</u>	<u>\$ 35,152</u>	<u>\$ 141,042</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FEBRUARY 28, 2006**

Net change in fund balances - total governmental funds	\$(91,823)
Change in prepaid expenses recorded in the funds on the purchase method	17,842
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	222,426
Depreciation expense	(63,164)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund.	
Principal payments on long term liabilities	23,301
Decrease in accrued interest	<u>435</u>
Change in net assets of governmental activities	<u><u>\$ 109,017</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS FEBRUARY 28, 2006

	Water	Refuse	Sewage Collection System	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 28,403	\$ 1,201	\$(31,848)	\$(2,244)
Accounts and interest receivable	23,978	13,890	13,556	51,424
Due from other funds	-	-	440	440
Total Current Assets	<u>52,381</u>	<u>15,091</u>	<u>(17,852)</u>	<u>49,620</u>
Restricted Assets:				
Cash and cash equivalents	122,972	-	300,144	423,116
Accounts receivable	26,487	-	-	26,487
Special assessments receivable	-	-	1,141,572	1,141,572
Total Restricted Assets	<u>149,459</u>	<u>-</u>	<u>1,441,716</u>	<u>1,591,175</u>
Capital Assets:				
Property, plant and equipment	1,546,739	-	2,924,231	4,470,970
Less - accumulated depreciation	(177,767)	-	(421,390)	(599,157)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>1,368,972</u>	<u>-</u>	<u>2,502,841</u>	<u>3,871,813</u>
Construction in progress	<u>254,214</u>	<u>-</u>	<u>-</u>	<u>254,214</u>
Other Assets:				
Tap-in fees receivable	-	-	42,840	42,840
Total Assets	<u>1,825,026</u>	<u>15,091</u>	<u>3,969,545</u>	<u>5,809,662</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,251	2,705	175	4,131
Accrued expenses	859	-	469	1,328
Liabilities payable from restricted assets -				
Accrued interest	13,470	-	15,593	29,063
Bonds/Notes payable (current portion)	46,500	-	19,000	65,500
Total Current Liabilities	<u>62,080</u>	<u>2,705</u>	<u>35,237</u>	<u>100,022</u>
Long-Term Liabilities (less current portions):				
Contracts payable - bonds (net of current portion)	1,249,416	-	-	1,249,416
Bonds payable (net of current portion)	-	-	1,319,011	1,319,011
Notes payable (net of current portion)	58,500	-	-	58,500
Total Long-Term Liabilities	<u>1,307,916</u>	<u>-</u>	<u>1,319,011</u>	<u>2,626,927</u>
Total Liabilities	<u>1,369,996</u>	<u>2,705</u>	<u>1,354,248</u>	<u>2,726,949</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	315,270	-	2,502,841	2,818,111
Restricted for debt service	89,489	-	88,112	177,601
Unrestricted				
Undesignated	50,271	12,386	24,344	87,001
Total Net Assets	<u>\$ 455,030</u>	<u>\$ 12,386</u>	<u>\$ 2,615,297</u>	<u>\$ 3,082,713</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	Water	Refuse	Sewage Collection System	Total
Operating Revenues:				
Charges for services	\$ 62,527	\$ 34,932	\$ 34,184	\$ 131,643
Penalties	1,277	-	-	1,277
Other	-	27	-	27
Total Operating Revenues	<u>63,804</u>	<u>34,959</u>	<u>34,184</u>	<u>132,947</u>
Operating Expenses:				
Salaries and fringes	16,359	-	10,140	26,499
Administrative expenses	6,000	3,000	3,100	12,100
Supplies and postage	1,768	-	266	2,034
Utilities	10,613	-	1,923	12,536
Repairs and maintenance	1,513	-	37,883	39,396
Equipment rent	2,968	-	3,680	6,648
Contracted services	1,650	32,146	1,150	34,946
Professional services	3,292	400	2,023	5,715
Miscellaneous	3,538	-	696	4,234
Insurance	4,221	-	3,017	7,238
Depreciation	31,006	-	60,950	91,956
Total Operating Expenses	<u>82,928</u>	<u>35,546</u>	<u>124,828</u>	<u>243,302</u>
Operating Loss	<u>(19,124)</u>	<u>(587)</u>	<u>(90,644)</u>	<u>(110,355)</u>
Non-Operating Revenues (Expenses):				
Enterprise improvements	65,010	-	-	65,010
Interest on special assessments	-	-	64,683	64,683
Interest earned	1,402	-	4,919	6,321
Interest expenses	<u>(25,872)</u>	<u>-</u>	<u>(61,492)</u>	<u>(87,364)</u>
Total Non-Operating Revenues (Expenses)	<u>40,540</u>	<u>-</u>	<u>8,110</u>	<u>48,650</u>
Net Income (Loss)	<u>21,416</u>	<u>(587)</u>	<u>(82,534)</u>	<u>(61,705)</u>
Net Assets at beginning of year	353,745	12,973	2,770,642	3,137,360
Prior Period Adjustments	<u>79,869</u>	<u>-</u>	<u>(72,811)</u>	<u>7,058</u>
Net Assets at beginning of year, restated	<u>433,614</u>	<u>12,973</u>	<u>2,697,831</u>	<u>3,144,418</u>
Net Assets at end of year	<u><u>\$ 455,030</u></u>	<u><u>\$ 12,386</u></u>	<u><u>\$ 2,615,297</u></u>	<u><u>\$ 3,082,713</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	Water	Refuse	Sewage Collection System	Total
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 61,230	\$ 32,992	\$ 32,127	\$ 126,349
Cash payments to suppliers	(36,016)	(35,510)	(51,899)	(123,425)
Cash payments to employees	(15,500)	-	(9,671)	(25,171)
Net Cash Provided (Used) by Operating Activities	<u>9,714</u>	<u>(2,518)</u>	<u>(29,443)</u>	<u>(22,247)</u>
Cash Flows From Capital and Related Financing Activities:				
Enterprise improvements	61,142	-	-	61,142
Note proceeds	65,000	-	-	65,000
Bond principal payments	(25,000)	-	(26,000)	(51,000)
Interest Paid on long term debt	(19,800)	-	(61,334)	(81,134)
Reimbursement for construction in progress	273,532	-	-	273,532
Special assessment receivable	-	-	85,218	85,218
Acquisition and construction of capital assets	(357,837)	-	-	(357,837)
Net Cash Used by Capital and Related Financing Activities	<u>(2,963)</u>	<u>-</u>	<u>(2,116)</u>	<u>(5,079)</u>
Cash Flows From Investing Activities:				
Interest earned	<u>1,402</u>	<u>-</u>	<u>4,919</u>	<u>6,321</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	8,153	(2,518)	(26,640)	(21,005)
Cash and Cash Equivalents at Beginning of Year	<u>143,222</u>	<u>3,719</u>	<u>294,936</u>	<u>441,877</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 151,375</u></u>	<u><u>\$ 1,201</u></u>	<u><u>\$ 268,296</u></u>	<u><u>\$ 420,872</u></u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating loss for the year	\$(19,124)	\$(587)	\$(90,644)	\$(110,355)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities -				
Depreciation	31,006	-	60,950	91,956
Change in assets and liabilities:				
Receivable	(2,574)	(1,967)	(2,057)	(6,598)
Accounts payable/accrued expenses	406	36	2,308	2,750
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 9,714</u></u>	<u><u>\$(2,518)</u></u>	<u><u>\$(29,443)</u></u>	<u><u>\$(22,247)</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
TAX RECEIVING FIDUCIARY FUND
FEBRUARY 28, 2006**

ASSETS:

Cash and cash equivalents

\$ 277

LIABILITIES:

Due to other funds

\$ 277

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

DESCRIPTION OF VILLAGE OPERATIONS - The Village of Carsonville is one of ten (10) Villages in Sanilac County and is located within the boundaries of Sanilac and Washington Townships. The Village operates under an elected Village Council which consists of a President and six Council members. The Village provides services to its residents in many areas, including law enforcement, fire protection, water, sewer and recreation.

FINANCIAL REPORTING ENTITY - In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 the reporting entity includes both the primary government and all of its "component units". The criteria established by GASB for determining the component units include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

On this basis, there are no other financial statements that should be included in the Village's financial statements.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied and due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues available if they are normally collected within 60 days after the year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on September 14, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Street – is a special revenue fund used to account for Act 51, money and other related revenues restricted for major street maintenance and improvements.

Municipal Street – is a special revenue fund used to account for restricted revenue for street maintenance and street lighting.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Village reports the following major proprietary funds:

Water Fund – is used to account for the treatment and distribution of water to residential and commercial users.

Refuse Fund – is used to account for operations and activities of garbage collection and recycling for residential customer within the Village of Carsonville.

Sewage Collection System Fund – is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the government reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds are charges to customers for sale, rent and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

The Village maintains a common checking account for its operation funds. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pool funds have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items -

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar -

The Village's property tax is levied each July 1 on the taxable value of property located in the Village as of the preceding December as adjusted by the March and July Board of Reviews. Taxes are collected through September 14.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to February 29, 2004.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives.

<u>Primary Government -</u>	<u>Years</u>
Building/improvements	5-50
Utility Systems	40-50
Road Systems/Other	
Infrastructure	8-25
Equipment	5-20

Long-Term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Compliance –

The Treasurer of the Village and the Village Council Finance Committee prepare from data submitted from department heads a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and resources to finance them.

Prior to February 28, the proposed budget is presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Council Resolution. After the budget is adopted, all amendments must be approved by the Village Council.

Budgets are legally adopted at the activity level for the General Fund and functional level for the Special Revenue Funds; however, for control purposes all the budgets are maintained at the account level. All unexpended appropriations lapse at fiscal year end.

Budgeted amounts are reported as originally adopted, or as amended, by the Village Council during the year. Individual amendments were not material in relation to the original appropriations.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended February 28, 2006, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated as follows:

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: - (cont'd):

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
<u>General Fund –</u>			
Legislative –			
Village Council	\$ 9,000	\$ 12,965	\$ 3,965
General Government –			
Village Hall	39,128	46,649	7,521
Clerk and Treasurer	17,784	18,854	1,070
Public Safety –			
Fire Department	45,040	56,698	11,658
Public Works –			
Department of Public Works	32,193	37,326	5,133
<u>Special Revenue Funds –</u>			
Major Street Fund –			
Public Works	77,042	174,844	97,802
Municipal Service Building			
General Government	5,000	5,982	982

Fund Balance Deficits –

The following Special Revenue Funds had fund balance deficits at February 28, 2006 –

Municipal Service Building	\$ 1,782
----------------------------	----------

NOTE 3 – DEPOSITS AND INVESTMENTS:

In accordance with Act 20 PA 1943 as amended by Act 196 PA 1997, the Village is authorized after Board resolution to invest surplus funds in the following types of investments:

- a) In bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States.
- b) In certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.
- c) In commercial paper rated at the time of purchase within the two (2) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d) In the United States government or federal agency obligations repurchase agreements.
- e) In bankers acceptances of United States banks.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

- f) In obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g) In mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h) In investment pools organized under the surplus funds investment act, 367 of 1982.
- i) In investment pools organized under the local government investment pool act, 121 of 1985.

Custodial Credit Risk - Deposits -

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. Deposits of the Village are at federally insured banks in the State of Michigan in the name of the Village.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of February 28, 2006, the carrying amount of the Village's deposits is \$549,605, and the bank balance is \$550,884, of which \$112,932 is covered by Federal Depository Insurance.

Included in the Balance Sheet account cash and cash equivalents at February 28, 2006, is \$50 in petty cash.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result the Village evaluates each financial institution and assesses the level of risk. The Village uses only those financial institutions with an acceptable estimated risk level as depositories.

NOTE 4 - TAXES:

Assessed values are established annually, taxable by the respective Townships and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Carsonville for the fiscal year 2006 had a Taxable Equalized value of \$7,307,526. The millage rates levied by the Village were 10.695 for the General Fund and 4.2779 for the Municipal Street Fund.

The County of Sanilac has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances described as Due From and Due To Other Funds on the Balance Sheet reflect amounts due from or due to a particular fund by another fund of the Village. These amounts include only short-term obligations on open accounts, and not current portions of long-term loans. A summary of these balances by fund type at February 28, 2006, is as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund:</u>		
Municipal Street Fund	\$ -	\$ 908
Fire Capital Fund	-	208
Tax Receiving Fund	277	-
Sewer Collection System Fund	-	440
	<u>277</u>	<u>1,556</u>
<u>Special Revenue Funds:</u>		
Major Street Fund		
Municipal Street Fund	6,674	-
Local Street Fund	-	3,300
	<u>6,674</u>	<u>3,300</u>
Municipal Street Fund		
General Fund	908	-
Major Street Fund	-	6,674
Local Street Fund	-	3,104
Non-Major Funds	-	-
	<u>908</u>	<u>9,778</u>
Local Street Fund		
Municipal Street Fund	3,104	-
Major Street	3,300	-
Fire Capital Fund		
General Fund	208	-
	<u>6,612</u>	<u>-</u>
<u>Enterprise Funds:</u>		
Sewage Construction Fund –		
General Fund	440	-
<u>Fiduciary Fund:</u>		
Tax Receiving Fund	-	277
	<u>\$ 14,911</u>	<u>\$ 14,911</u>

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 5 – INTERFUND RECEIVABLE AND PAYABLE BALANCES – (cont'd):

Interfund transfers for the year ended June 30, 2006 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Equipment Debt Fund	Police Capital Fund	\$ 4,150
	Fire Capital Fund	16,783
Police Capital Fund	General Fund	1,900
DPW Capital Fund	General Fund	<u>600</u>
Total Transfers		<u>\$ 23,433</u>

NOTE 6 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended February 28, 2006 was as follows:

	<u>March 1, 2005</u>		<u>Deletions/</u>	<u>February 28, 2006</u>
	<u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 96,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,875</u>
Capital assets, being depreciated:				
Buildings and improvements	431,798	3,578	(7,297)	428,079
Shared street improvements	-	218,848	7,297	226,145
Machinery and equipment	<u>522,118</u>	<u>-</u>	<u>-</u>	<u>522,118</u>
Total capital assets, being depreciated	<u>953,916</u>	<u>222,426</u>	<u>-</u>	<u>1,176,342</u>
Less accumulated depreciation for:				
Buildings and improvements	119,850	11,666	(365)	131,151
Shared street improvements	-	11,307	365	11,672
Machinery and equipment	<u>194,802</u>	<u>40,191</u>	<u>-</u>	<u>234,993</u>
Total accumulated depreciation	<u>314,652</u>	<u>63,164</u>	<u>-</u>	<u>377,816</u>
Total capital assets being depreciated, net	<u>639,264</u>	<u>159,262</u>	<u>-</u>	<u>798,526</u>
Governmental activities capital assets, net	<u>\$ 736,139</u>	<u>\$ 159,262</u>	<u>\$ -</u>	<u>\$ 895,401</u>

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 6 - FIXED ASSETS – (cont'd):

	March 1, 2005		Deletions/ Adjustments	February 28, 2006
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,600	\$ -	\$ -	\$ 9,600
Construction in progress	<u>80,994</u>	<u>229,224</u>	<u>56,004</u>	<u>254,214</u>
Total capital assets, not being depreciated	<u>90,594</u>	<u>229,224</u>	<u>56,004</u>	<u>263,814</u>
Capital assets, being depreciated:				
Buildings and improvements	1,500	-	-	1,500
Machinery and equipment	34,584	-	-	34,584
Water system	1,372,137	168,454	-	1,540,591
Sewer system	<u>2,884,695</u>	<u>-</u>	<u>-</u>	<u>2,884,695</u>
Total capital assets being depreciated	<u>4,292,916</u>	<u>168,454</u>	<u>-</u>	<u>4,461,370</u>
Less accumulated depreciation for:				
Buildings and improvements	1,020	30	-	1,050
Machinery and equipment	21,701	3,154	-	24,855
Water systems	142,693	30,976	-	173,669
Sewer systems	<u>341,787</u>	<u>57,796</u>	<u>-</u>	<u>399,583</u>
Total accumulated depreciation	<u>507,201</u>	<u>91,956</u>	<u>-</u>	<u>599,157</u>
Total capital assets being depreciated, net	<u>3,785,715</u>	<u>76,498</u>	<u>-</u>	<u>3,862,213</u>
Business activities capital assets, net	<u>\$ 3,876,309</u>	<u>\$ 305,722</u>	<u>\$ 56,004</u>	<u>\$ 4,126,027</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,141
Public Safety	31,047
Public Works	<u>20,976</u>
Total depreciation expense-governmental activities	<u>\$ 63,164</u>
Business-type activities:	
Sewer	\$ 60,950
Water	<u>31,006</u>
Total depreciation expense-business-type activities	<u>\$ 91,956</u>

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 7 - LONG-TERM DEBT:

The following is a summary of the changes in long-term debt of the Village for the fiscal year ended February 28, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
GO Capital Improvement Bonds	\$ 36,000	\$ -	\$ 7,000	\$ 29,000	\$ 7,500
Commercial Loan on Police Car	5,911	-	3,890	2,021	2,021
Fire truck loan	<u>100,000</u>	<u>-</u>	<u>12,411</u>	<u>87,589</u>	<u>12,977</u>
Total Governmental Funds	<u>141,911</u>	<u>-</u>	<u>23,301</u>	<u>118,610</u>	<u>22,498</u>
<u>Business-type Activities:</u>					
1998 Sanitary sewerage system bond	1,364,011	-	26,000	1,338,011	19,000
2005 G.O. Capital Improvement Bonds	-	65,000	-	65,000	6,500
Contracts Payable -					
2005 Water drinking system bond	-	249,416	-	249,416	15,000
2004 Water drinking system bond	<u>1,040,884</u>	<u>24,116</u>	<u>25,000</u>	<u>1,040,000</u>	<u>25,000</u>
Total Business-Type Activities	<u>2,404,895</u>	<u>338,532</u>	<u>51,000</u>	<u>2,692,427</u>	<u>65,500</u>
	<u>\$ 2,546,806</u>	<u>\$ 338,532</u>	<u>\$ 74,301</u>	<u>\$ 2,811,037</u>	<u>\$ 87,998</u>

Significant details regarding outstanding long-term debt are presented as follows:

Governmental Long-Term Debt –

The Village issued \$39,500 in General Obligation Capital Improvement Bonds for the purpose of improvements to the Village Hall. The bonds dated February 26, 2004, are due in semi-annual installments increasing from \$3,500 to \$4,500 through March 1, 2009, with interest rate fixed at 6.00 percent, payable semi-annually. \$ 29,000

\$18,041 Commercial Motor Vehicle Loan (Police Jeep Cherokee) dated March 1, 2001, due in semi-annual payments of \$2,075 including interest of 5.25% through March 1, 2006. 2,021

\$100,000 Promissory note for fire truck purchase dated September 1, 2004 payable in semi-annual installments increasing from \$6,432 to \$8,493 through September 1, 2011, with interest rate fixed at 4.40% payable semi-annually. 87,589

Total Governmental activities Long-Term Debt \$ 118,610

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 7 – LONG TERM DEBT – (cont'd):

Proprietary Funds -

\$1,498,000 Rural Development Authority Sanitary Sewerage System Bonds, dated June 18, 1998, due in annual installments increasing from \$17,000 to \$75,000 through June 1, 2038; with interest of 4.5 percent payable semi-annually. \$ 1,338,011

\$1,065,000 Drinking Water Revolving loan, dated June 24, 2004, due in annual payments increasing from \$25,000 to \$50,000 through April 1, 2034; with interest of 2.125% payable semi-annually. 1,040,000

\$690,000 Drinking Water Revolving loan, dated September 22, 2005, due in annual installments increasing from \$15,000 to \$30,000 through April 1, 2036; with interest of 2.125% payable semi-annually. Amount drawn as of February 28, 2006. 249,416

\$65,000 G.O. Capital Improvement Bonds for water system improvements, due in semi-annual installments of \$3,250 through October 1, 2015; with interest of 4.5% payable semi-annually. 65,000

Total Proprietary funds Long-Term Debt \$ 2,692,427

The annual requirements to amortize debt outstanding at February 28, 2006,

Governmental Funds Long Term Debt:

<u>Year</u>	<u>2004 Capital Improvement Bond</u>		<u>2001 Commercial Vehicle Loan</u>		<u>2004 Promissory Note Fire Truck</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,021	\$ 53	\$ 7,500	\$ 1,635	\$ 12,977	\$ 3,806
2008	-	-	8,000	1,170	13,569	3,213
2009	-	-	9,000	675	14,181	2,602
2010	-	-	4,500	135	14,835	1,947
2011	-	-	-	-	15,512	1,270
2012-2015	-	-	-	-	16,515	563
	<u>\$ 2,021</u>	<u>\$ 53</u>	<u>\$ 29,000</u>	<u>\$ 3,615</u>	<u>\$ 87,589</u>	<u>\$ 13,401</u>

VILLAGE OF CARSONVILLE, MICHIGAN
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 7 – LONG TERM DEBT – (cont'd):

Proprietary Funds Long Term Debt:

Year	1998 Sewer System Bond		2004 Drinking Water Revolving Loan		2005 G.O. Capital Improvement Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 19,000	\$ 60,931	\$ 25,000	\$ 21,834	\$ 6,500	\$ 2,760
2008	20,000	60,076	25,000	21,303	6,500	2,559
2009	21,000	59,176	25,000	20,772	6,500	2,267
2010	22,000	58,231	30,000	20,187	6,500	1,974
2011	23,000	57,240	30,000	19,550	6,500	1,682
2012-2016	130,000	269,777	150,000	88,187	32,500	4,021
2017-2021	162,000	237,783	170,000	71,600	-	-
2020-2026	202,000	197,912	190,000	52,381	-	-
2027-2031	252,000	148,233	210,000	31,130	-	-
2032-2036	314,000	86,222	185,000	8,021	-	-
2037-2039	<u>173,011</u>	<u>15,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,338,011</u>	<u>\$ 1,251,332</u>	<u>\$ 1,040,000</u>	<u>\$ 354,965</u>	<u>\$ 65,000</u>	<u>\$ 15,263</u>

NOTE 8 – PRIOR PERIOD ADJUSTMENTS:

A prior period adjustment was made to both water and wastewater enterprise funds in the amount of \$79,869 and \$(72,811), respectively.

The adjustments were the result of reclassification of activity between funds and recording of accrued interest on bonds. The net effect on net assets was a \$7,058 increase.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 75,161	\$ 75,161	\$ 79,262	\$ 4,101
Licenses and permits	1,094	1,094	953	(141)
Intergovernmental -				
Federal and State	63,000	63,000	63,196	196
Charges for services	25,390	25,390	35,508	10,118
Fines and forfeits	300	300	80	(220)
Interest and rents	24,398	24,398	11,343	(13,055)
Other	2,447	2,447	3,035	588
	<u>191,790</u>	<u>191,790</u>	<u>193,377</u>	<u>1,587</u>
Expenditures:				
Legislative -				
Village Council	9,000	9,000	12,965	(3,965)
General Government -				
Assessor	-	-	40	(40)
Clerk and Treasurer	17,784	17,784	18,854	(1,070)
Village Hall	39,619	39,128	46,649	(7,521)
	<u>57,403</u>	<u>56,912</u>	<u>65,543</u>	<u>(8,631)</u>
Public Safety -				
Police Protection	38,549	38,549	35,767	2,782
Fire Department	45,040	45,040	56,698	(11,658)
	<u>83,589</u>	<u>83,589</u>	<u>92,465</u>	<u>(8,876)</u>
Public Works -				
Department of Public Works	27,243	32,193	37,326	(5,133)
Street Lights	500	500	152	348
	<u>27,743</u>	<u>32,693</u>	<u>37,478</u>	<u>(4,785)</u>
Debt Service -				
Principal	7,000	7,000	7,000	-
Interest	2,055	2,055	2,046	9
	<u>9,055</u>	<u>9,055</u>	<u>9,046</u>	<u>9</u>
Total Expenditures	<u>186,790</u>	<u>191,249</u>	<u>217,497</u>	<u>(26,248)</u>
Revenues over (under) expenditures	5,000	541	(24,120)	(24,661)
Other Financing Sources (Uses):				
Transfers out	(5,000)	(5,000)	(2,500)	2,500
Net Change in Fund Balance	-	(4,459)	(26,620)	(22,161)
Fund Balance at beginning of year	<u>55,679</u>	<u>55,679</u>	<u>55,679</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 55,679</u>	<u>\$ 51,220</u>	<u>\$ 29,059</u>	<u>\$ (22,161)</u>

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL MAJOR STREET FUND FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental -				
Federal/State	\$ 36,002	\$ 36,002	\$ 158,448	\$ 122,446
Interest	590	590	409	(181)
	<u>36,592</u>	<u>36,592</u>	<u>158,857</u>	<u>122,265</u>
Expenditures:				
Public Works -				
Administration				
Salaries and wages	4,400	4,400	3,019	1,381
Professional fees	1,000	1,000	250	750
Contingency	43,043	43,043	-	43,043
	<u>48,443</u>	<u>48,443</u>	<u>3,269</u>	<u>45,174</u>
Maintenance				
Salaries and wages	6,000	6,000	3,276	2,724
Supplies	2,000	2,000	2	1,998
Insurance and bonds	1,400	1,400	1,508	(108)
Contracted service	11,644	11,644	157,050	(145,406)
Equipment rent	2,804	2,804	1,401	1,403
	<u>23,848</u>	<u>23,848</u>	<u>163,237</u>	<u>(139,389)</u>
Winter Maintenance				
Salaries and wages	2,500	2,500	6,032	(3,532)
Supplies	400	400	850	(450)
Contracted service	1,500	1,500	-	1,500
Equipment rent	351	351	945	(594)
	<u>4,751</u>	<u>4,751</u>	<u>7,827</u>	<u>(3,076)</u>
Total Expenditures	<u>77,042</u>	<u>77,042</u>	<u>174,333</u>	<u>(97,291)</u>
Revenues under expenditures	(40,450)	(40,450)	(15,476)	24,974
Other Financing Uses:				
Transfers out -				
Local Street Fund	(4,500)	(4,500)	-	4,500
Net Change in Fund Balance	(44,950)	(44,950)	(15,476)	29,474
Fund Balance at beginning of year	<u>56,217</u>	<u>56,217</u>	<u>56,217</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 11,267</u>	<u>\$ 11,267</u>	<u>\$ 40,741</u>	<u>\$ 29,474</u>

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL MUNICIPAL STREET FUND FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	29,874	29,874	31,262	1,388
Intergovernmental - Local	99,630	99,630	13,273	(86,357)
Interest	1,188	1,188	1,242	54
	<u>130,692</u>	<u>130,692</u>	<u>45,777</u>	<u>(84,915)</u>
Expenditures:				
Public Works - Administration	4,442	4,442	7,633	(3,191)
Maintenance	131,250	131,250	90,470	40,780
	<u>135,692</u>	<u>135,692</u>	<u>98,103</u>	<u>37,589</u>
Revenues under expenditures	(5,000)	(5,000)	(52,326)	(47,326)
Fund Balance at beginning of year	<u>88,416</u>	<u>88,416</u>	<u>88,416</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 83,416</u>	<u>\$ 83,416</u>	<u>\$ 36,090</u>	<u>\$(47,326)</u>

SUPPLEMENTARY INFORMATION

VILLAGE OF CARSONVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET FEBRUARY 28, 2006

	Special Revenue Funds			
	Local Street	Fire Capital	DPW Capital	Police Capital
ASSETS				
Cash and cash equivalents	\$ 14,893	\$ 13,228	\$ 43	\$ 4
Due from other governmental units - State	2,154	-	-	-
Due from other funds	6,404	208	-	-
Total Assets	<u>\$ 23,451</u>	<u>\$ 13,436</u>	<u>\$ 43</u>	<u>\$ 4</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund Balance (Deficit):				
Unreserved - Undesignated	23,451	13,436	43	4
Total Liabilities and Fund Balance	<u>\$ 23,451</u>	<u>\$ 13,436</u>	<u>\$ 43</u>	<u>\$ 4</u>

	Debt Service Fund	
<u>Municipal Service Building</u>	<u>Equipment Note</u>	<u>Total</u>
\$(1,707)	\$ -	\$ 26,461
-	-	2,154
-	-	<u>6,612</u>
<u>\$(1,707)</u>	<u>\$ -</u>	<u>\$ 35,227</u>

\$ 75	\$ -	\$ 75
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<u>(1,782)</u>	<u>-</u>	<u>35,152</u>
<u>\$(1,707)</u>	<u>\$ -</u>	<u>\$ 35,227</u>

VILLAGE OF CARSONVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED FEBRUARY 28, 2006

	Special Revenue Funds				
	Local Street	Fire Capital	DPW Capital	Police Capital	Municipal Service Building
Revenues:					
Licenses and permits	\$ -	\$ -	\$ -	\$ 20	\$ -
Intergovernmental-					
State	11,938	-	-	-	-
Local	-	21,600			
Interest	365	618	-	4	9
Rental Collections	-	-	-	-	3,680
Total Revenues	<u>12,303</u>	<u>22,218</u>	<u>-</u>	<u>24</u>	<u>3,689</u>
Expenditures:					
Current -					
Public Works	11,220	-	-	-	-
General Government	-	-	-	-	5,982
Debt Service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>11,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,982</u>
Revenues over (under) expenditures	1,083	22,218	-	24	(2,293)
Other Financing Sources (Uses):					
Transfers in	-	-	600	1,900	-
Transfers (out)	-	(16,783)	-	(4,150)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(16,783)</u>	<u>600</u>	<u>(2,250)</u>	<u>-</u>
Net Change in Fund Balance	1,083	5,435	600	(2,226)	(2,293)
Fund Balances (Deficit) at beginning of year	<u>22,368</u>	<u>8,001</u>	<u>(557)</u>	<u>2,230</u>	<u>511</u>
Fund Balances (Deficit) at end of year	<u>\$ 23,451</u>	<u>\$ 13,436</u>	<u>\$ 43</u>	<u>\$ 4</u>	<u>\$(1,782)</u>

Debt Service Fund	
Equipment Note	Total
\$ -	\$ 20
-	11,938
-	21,600
-	996
-	3,680
-	38,234
-	11,220
-	5,982
16,301	16,301
4,632	4,632
20,933	38,135
(20,933)	99
20,933	23,433
-	(20,933)
20,933	2,500
-	2,599
-	32,553
\$ -	\$ 35,152

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
LOCAL STREET FUND				
Revenues:				
Intergovernmental -				
State	\$ 12,200	\$ 12,200	\$ 11,938	\$(262)
Interest	227	227	365	138
	<u>12,427</u>	<u>12,427</u>	<u>12,303</u>	<u>(124)</u>
Expenditures:				
Public Works -				
Administration -				
Salaries and wages	1,914	1,914	944	970
Professional fees	750	750	250	500
Contingency	7,256	7,256	-	7,256
	<u>9,920</u>	<u>9,920</u>	<u>1,194</u>	<u>8,726</u>
Maintenance -				
Salaries and wages	6,000	6,000	787	5,213
Supplies	2,000	2,000	-	2,000
Insurance and bonds	1,400	1,400	1,209	191
Contracted service	1,500	1,500	2,692	(1,192)
Equipment rent	2,786	2,786	981	1,805
	<u>13,686</u>	<u>13,686</u>	<u>5,669</u>	<u>8,017</u>
Winter Maintenance -				
Salaries and wages	2,500	2,500	3,564	(1,064)
Supplies	500	500	-	500
Equipment rent	321	321	793	(472)
	<u>3,321</u>	<u>3,321</u>	<u>4,357</u>	<u>(1,036)</u>
Total Expenditures	<u>26,927</u>	<u>26,927</u>	<u>11,220</u>	<u>15,707</u>
Revenues over (under) expenditures	(14,500)	(14,500)	1,083	15,583
Other Financing Sources:				
Transfer in -	4,500	4,500	-	(4,500)
Net Change in Fund Balance	(10,000)	(10,000)	1,083	11,083
Fund Balance at beginning of year	22,368	22,368	22,368	-
Fund Balance at end of year	<u>\$ 12,368</u>	<u>\$ 12,368</u>	<u>\$ 23,451</u>	<u>\$ 11,083</u>

Continued

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
FIRE CAPITAL				
Revenues:				
Intergovernmental - Local	\$ 24,300	\$ 24,300	\$ 21,600	\$(2,700)
Interest	411	411	618	207
	<u>24,711</u>	<u>24,711</u>	<u>22,218</u>	<u>(2,493)</u>
Expenditures:				
Public Safety	10,819	10,819	-	10,819
Revenues over (under) expenditures	13,892	13,892	22,218	8,326
Other Financing Sources:				
Transfers out	(23,892)	(23,892)	(16,783)	7,109
Net Change in Fund Balance	(10,000)	(10,000)	5,435	15,435
Fund Balance at beginning of year	8,001	8,001	8,001	-
Fund Balance (Deficit) at end of year	<u>\$(1,999)</u>	<u>\$(1,999)</u>	<u>\$ 13,436</u>	<u>\$ 15,435</u>

DPW CAPITAL

Expenditures:				
Public Works -	\$ 5,687	\$ 5,687	\$ -	\$ 5,687
Other Financing Sources:				
Transfer in -	6,740	6,740	600	(6,140)
Net Change in Fund Balance	1,053	1,053	600	(453)
Deficit Balance at beginning of year	(557)	(557)	(557)	-
Fund Balance at end of year	<u>\$ 496</u>	<u>\$ 496</u>	<u>\$ 43</u>	<u>\$(453)</u>

Continued

VILLAGE OF CARSONVILLE, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED FEBRUARY 28, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
POLICE CAPITAL				
Revenues:				
Interest	\$ 3	\$ 3	\$ 4	\$ 1
Fees	-	-	20	20
	<u>3</u>	<u>3</u>	<u>24</u>	<u>21</u>
Expenditures:				
Public Safety -	156	156	-	156
Revenues over (under) expenditures	(153)	(153)	24	177
Other Financing Sources (Uses):				
Transfer in -	4,150	4,150	1,900	(2,250)
Transfer out -	(4,150)	(4,150)	(4,150)	-
	<u>-</u>	<u>-</u>	<u>(2,250)</u>	<u>(2,250)</u>
Net Change in Fund Balance	(153)	(153)	(2,226)	(2,073)
Fund Balance at beginning of year	2,230	2,230	2,230	-
Fund Balance at end of year	<u>\$ 2,077</u>	<u>\$ 2,077</u>	<u>\$ 4</u>	<u>\$(2,073)</u>

MUNICIPAL SERVICE BUILDING

Revenues:				
Rental collections	\$ 5,000	\$ 5,000	\$ 3,680	\$(1,320)
Interest	-	-	9	9
	<u>5,000</u>	<u>5,000</u>	<u>3,689</u>	<u>(1,311)</u>
Expenditures:				
General Government	5,000	5,000	5,982	(982)
Revenues over (under) expenditures	-	-	(2,293)	(2,293)
Fund Balance at beginning of year	511	511	511	-
Fund Balance (Deficit) at end of year	<u>\$ 511</u>	<u>\$ 511</u>	<u>\$(1,782)</u>	<u>\$(2,293)</u>

VILLAGE OF CARSONVILLE, MICHIGAN

**BALANCE SHEET
TAX RECEIVING AGENCY FUND
FEBRUARY 28, 2006**

ASSETS	
Cash	\$ <u>277</u>
LIABILITIES	
Due to other funds	\$ <u>277</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	Balance March 1, 2005	Additions	Reductions	Balance February 28, 2006
TAX COLLECTION FUND				
Assets:				
Cash and Cash equivalents	\$ <u>-</u>	\$ <u>150,602</u>	\$ <u>150,325</u>	\$ <u>277</u>
Liabilities:				
Due to other funds	\$ <u>-</u>	\$ <u>150,602</u>	\$ <u>150,325</u>	\$ <u>277</u>